

Message Text

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43

ACTION TRSE-00

INFO OCT-01 ARA-11 ADP-00 IO-12 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-15 STR-08 OMB-01 CEA-02 OIC-04 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 RSR-01 PA-03 PRS-01 USIA-12 /153 W

----- 028125

R 242330 Z APR 73

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 7153

LIMITED OFFICIAL USE BOGOTA 3233

E. O. 11652: N/A

TAGS: EAID, CO

SUBJECT: IDB ANNUAL MTG

REF: (A) STATE 060794 (B) BOGOTA 2848 (C) BOGOTA 3047 (D)
STATE 072655

1. BOTH FORMER MINFIN RODRIGO LLORENTE AND RECENTLY NAMED REPLACEMENT MINFIN LOUIS FERNANDO ECHAVARRIA WILL ATTEND IDB MTG. REMAINDER GOC DELEGATION NOT YET DETERMINED. IN THIS REGARD NOTE THAT COLOMBIAN EXEC DIR ANIBAL FERNANDEZ DE SOTO RECENTLY RESIGNED TO BECOME MAYOR OF BOGOTA. HIS SUCCESSOR HAS NOT YET BEEN ANNOUNCED.
 2. FINATT INFORMED MINFIN THAT SEC SHULTZ WILL HEAD USDEL MAY 7-8.
 3. IN CONVERSATION WITH ECON COUN AND FINATT FORMER MINFIN LLORENTE EXPRESSED WORRY THAT US ECONOMIC PROBLEMS MIGHT PROMPT LESS US SUPPORT FOR IDB THAN IN PAST. REFERRED TO IMPORTANT IDB ASSISTANCE TO COLOMBIA AND COMMENDED IDB PROJECT LENDING FOR HAVING REASONABLE LOCAL COST SELF- HELP REQUIREMENTS AND FLEXIBLE TIME FRAMES FOR EXECUTION. EMBOFFS REPORTED TO MINFIN THAT USG HAS REITERATED REQUEST TO CONGRESS FOR FUNDS FOR IDB REPLENSIMENT.
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ALSO GAVE HIM COPIES OF HENNESSY AND STERFELD APR 5 STATEMENTS TO HOUSE APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS.

4. LLORENTE BRIEFLY SKETCHED IDEA THAT HE INTENDS TO PURSUE AT IDB MTG. PROPOSAL WOULD CONSIST OF MECHANISM WHEREBY BORROWERS COULD IN EFFECT PAY OFF DEBTS TO IDB IN ADVANCE OF MATURITIES IF AND WHEN FAVORABLE FOREIGN EXCHANGE POSITION WOULD PERMIT SUCH ASSUMPTION OF INCREASED DEBT SERVICE. IDB WOULD BENEFIT FROM INCREASED LIQUIDITY OWING TO PREPAYMENT OF DEBTS. WOULD PROPOSE TO LINK TRANSACTION TO CONTRACTIONARY DOMESTIC MONETARY POLICY WITH PRIVATE FINANCIAL ENTITIES IN BORROWING COUNTRY QUOTE PURCHASING DEBT OBLIGATIONS AS INVESTMENTS END QUOTE. PLAN WOULD FURTHER PROVIDE FOR IDB TO QUOTE REPURCHASE CREDITOR POSITION END QUOTE IF BORROWING COUNTRY' S FOREIGN EXCHANGE SITUATION DETERIORATED AND IT WISHED TO RETURN TO ORIGINAL AMORTIZATION SCHEDULE. HE NOTED THAT A MECHANISM WOULD HAVE TO BE WORKED OUT TO PROTECT IDB FROM FINANCIAL SQUEEZE DUE EXCESSIVE REPURCHASE OBLIGATIONS AND THAT PROBLEM MIGHT ARISE IN LINKING BANK' S CONCESSIONAL INTEREST RATES TO BORROWING COUNTRY' S INTERNAL RATE STRUCTURE.

5. EMB UNDERSTANDS LLORENTE MENTIONED ABOVE TO IDB VICE PRES HENRY COSTANZO WHEN LATTER WAS RECENTLY IN BOGOTA. COSTANZO GAVE NON- COMMITAL REPLY. LLORENTE WAS PURSUING MATTER THRU EXEC DIR FENEANDEZ DE SOTO BEFORE HIS RESIGNATION. ALSO LLORENTE APPARENTLY SUGGESTING IDEA TO OTHER IDB MEMBERS. NOT CLEAR IF OFFICIAL GOC PRESENTATION AT MTG WILL INCLUDE PROPOSAL OR IF LLORENTE WILL SIMPLY ENGAGE IN PERSONAL LOBBYING WITH IDB MANAGEMENT AND OTHER DELEGATIONS. SACCIO

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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